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*File
Visa Documentation*



November 1, 1993

Robert L. Schmid
Senior Vice President
ESG Research & Development

Mr. Peter Hill
Visa International
Box 8999
San Francisco, CA 94128

Dear Pete:

Recent press releases by Visa (e.g., Jean Jacques Des Bons) indicate that you are considering a chip card as an "alternative to watermark/holomagnetics" with a decision to be made "in early 1994". We do not have a similar understanding based on our conversations to date. If this is so, could we know what criteria are under evaluation by Visa to be used in the decision?

As you know, MasterCard has not yet finalized its technical evaluation of CAM technologies, pending completion of testing by PA of the Watermark security targeted for late November/early December.


Simultaneously, we are preparing a detailed business case analysis using Edgar Dunn to compare the economics of both enhanced mag stripe and chip card CAM's, with and without PIN. We are currently reviewing the input assumptions. The figures for Europe are decidedly favorable to a chip card CAM plus PIN (off and on-line). In this context, we will also be assessing the business potential of the IC cards platform for such applications as electronic purse, etc.

If we could agree that chip card is the ultimate 5 to 10 year goal, then the issue seems to become one of dealing with transitional issues where Watermark may play a role. Exactly how that works needs careful thought and coordination.

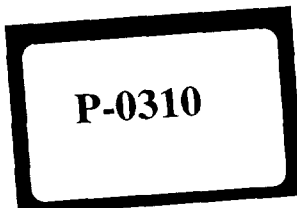
We are prepared to talk frankly at this point and to deal with the difficult issues providing that Visa agrees not to make a competitive issue of this.

I would appreciate the opportunity to discuss this with you on the phone at your earliest convenience.

Best regards,


Robert L. Schmid
Senior Vice President
Electronic Services R&D

cc: Philip P. Verdi
RLS/phm



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